

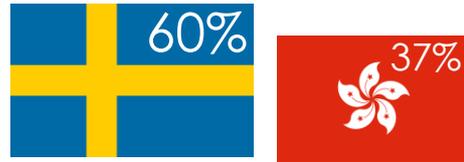
BUSINESS CONFIDENCE SURVEY 2018



The Business Confidence Survey of 2018 provides a view on the current and future business climate in Hong Kong from a diverse set of primarily Swedish founded companies. The survey indicates that the current business climate is considered favourable, but that the upcoming three years will be relatively less favourable. Increasing prices of accommodation and office space continue to be widely regarded as the most important challenges when operating in Hong Kong. Legal framework & Transparency are considered to be Hong Kong's most important advantages, closely followed by its Geographical location, Infrastructure & Communications. China remains the market that the majority of respondents consider among the three most interesting.

THE RESPONDENTS

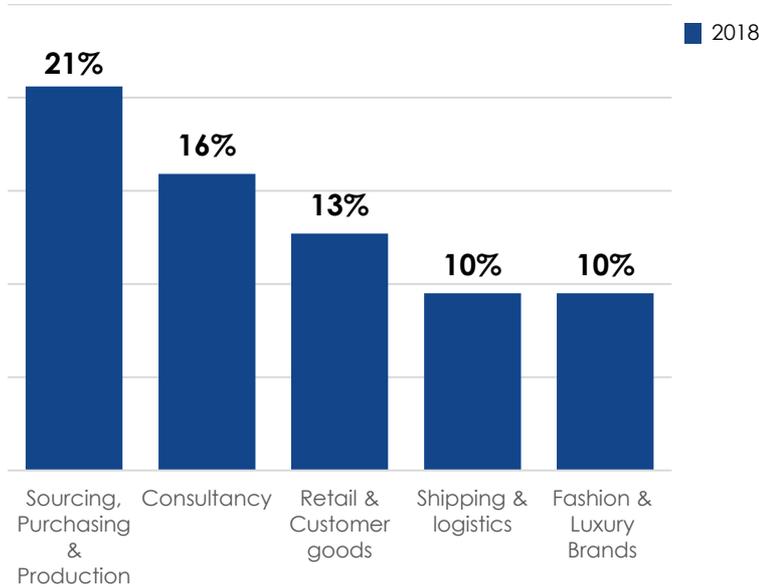
This year's Business Confidence Survey provided some valuable insights into the perceived current business climate as well as that of the future one in Hong Kong. The majority of all respondents had established their business in Hong Kong between 2000-2019. 60% of the respondents were founded in Sweden, 37% In Hong Kong, and 3% in other countries.



63% of all respondents use their office in Hong Kong as a regional headquarter which is amongst the top reasons to why the companies chose to set up business in Hong Kong. The primary drivers include Strategic positioning, Market demand, Geographical location and Pathway to China. The main functions of the regional headquarter are overall management, sales or financial control.

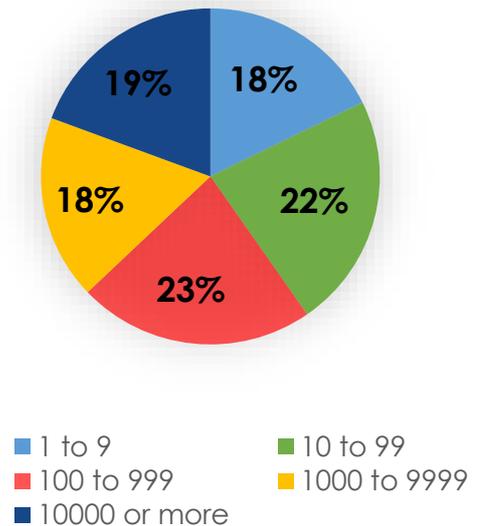
The five major business sectors in which the respondents are active include Sourcing, Purchasing & Production (21%), Consultancy (16%), Retail & Customers Goods (13%) and Shipping & Logistics (10%) and Fashion & Luxury Brands (10%).

WHAT IS THE MAIN NATURE OF YOUR BUSINESS IN HONG KONG?



The median number of employees globally is 300 among the respondents. 46% of all respondents have between 2-10 employees in Hong Kong.

HOW MANY DIRECT EMPLOYEES DOES YOUR COMPANY HAVE GLOBALLY?

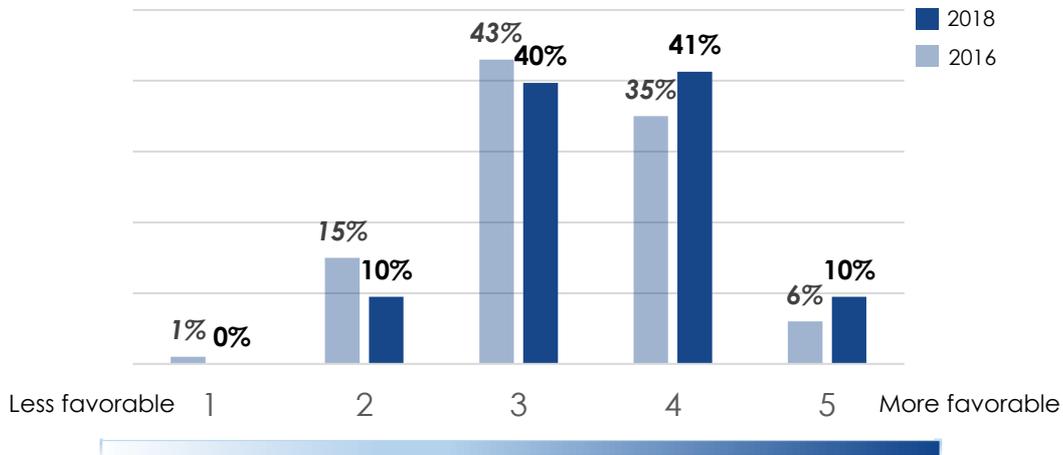


CURRENT BUSINESS CLIMATE CONSIDERED FAVORABLE

The current business climate in Hong Kong is considered favourable according to the majority (51%) of the respondents. The respondents were asked to give their opinion on the business climate on a scale of 1 to 5, where 1 is equal to "not favourable" and 5 is "very favourable". Compared to the survey

conducted in 2016, the respondents have become slightly more optimistic, with an average rating of 3.5 in comparison to 3.3 in 2016.

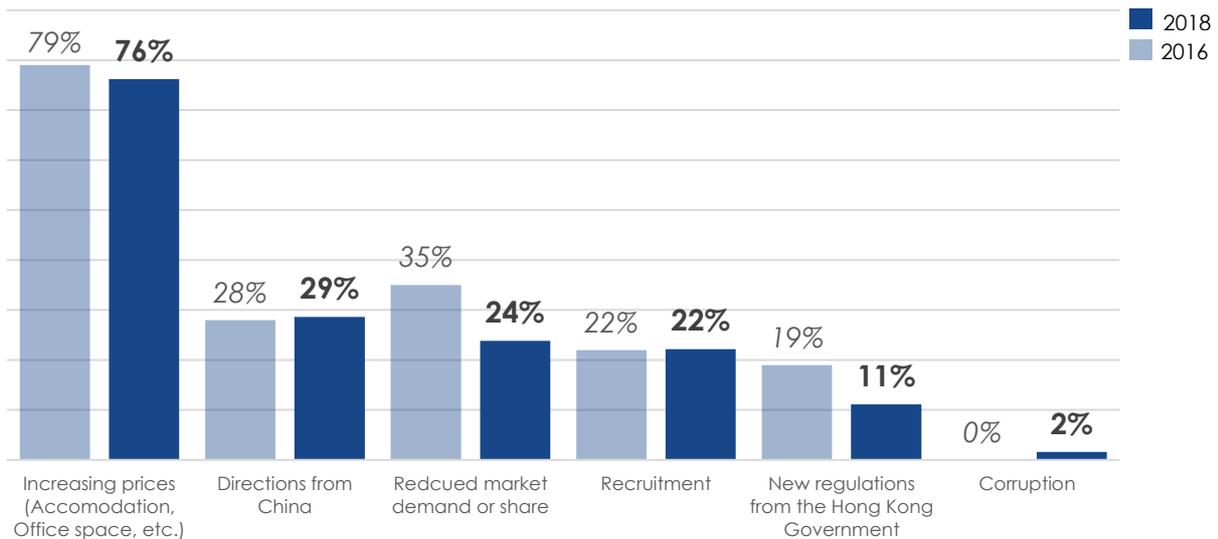
HOW DO YOU CONSIDER THE PRESENT BUSINESS CLIMATE IN HONG KONG?



EXPENSIVE ACCOMODATION AND OFFICE SPACES CONTINUE TO BE CHALLENGING

76% of the respondents believe that the Increasing prices (Accommodation, Office space, etc.) are the most important challenges when operating in Hong Kong. Earlier this year, for the 9th year in a row, Hong Kong was ranked as the world's most expensive housing market. Efforts from the Hong Kong Government to solve the existing shortage of housing include building 100,000 public housing units, 90,000 private housing and constructing transitional housing during the next 3-5 years. Directions from China climb to the second greatest challenge in Hong Kong. Recruitment remains a challenge for companies operating in Hong Kong and out of the 22% who considered recruitment an important challenge, the main reasons were considered to be a shortage of available applicants (36%), a lack of experience (25%) and that workers are looking for higher salaries than offered (25%). The problem is considered most evident in sales and marketing.

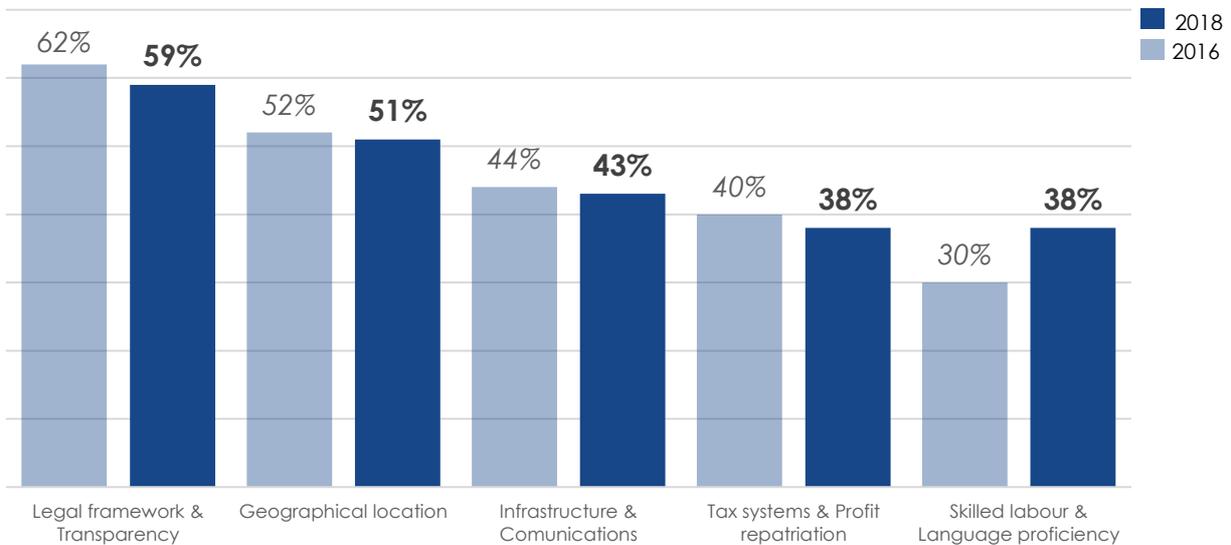
WHAT ARE THE MOST IMPORTANT CHALLENGES WHEN OPERATING IN HONG KONG?



LEGAL FRAMEWORK & TRANSPARENCY REGARDED AS HONG KONG'S KEY ADVANTAGES

The Legal framework & Transparency remains widely regarded as Hong Kong's most important advantages with regards to penetrating the Chinese market. Hong Kong's Geographical location (51%) is also considered an important advantage. As the efforts to connect Hong Kong to the Greater Bay Area increase, Hong Kong's favourable geographical location becomes more evident. In recent years, the Hong Kong government has had a strong focus on infrastructure projects that connect Hong Kong and China, with both the High-Speed Railway and the Zhuhai-Macau bridge opening during 2018. Tax System & Profit Repatriation as well as Skilled Labour & Language Proficiency are also regarded as advantages of Hong Kong.

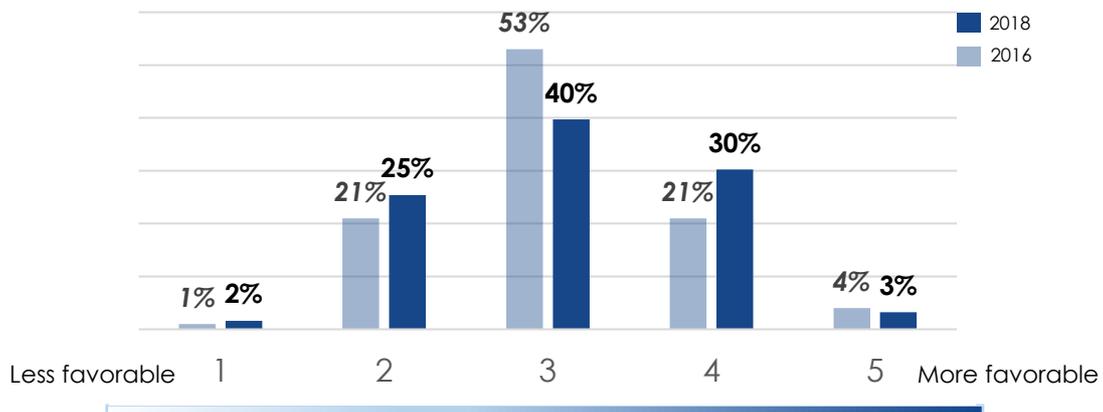
WHAT DO YOU BELIEVE ARE HONG KONG'S MOST IMPORTANT ADVANTAGES WITH REGARDS TO PENETRATING THE CHINESE MARKET?



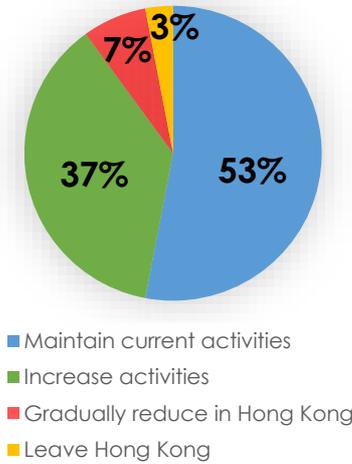
SLIGHTLY LESS FAVORABLE BUSINESS CLIMATE AHEAD

Compared to the view of the current business climate, respondents seem slightly less favourable when asked about the business climate in the upcoming three years. On a scale of 1 (least favourable) to 5 (most favourable), the average answer was 3.1, which is in line with 2016 year's survey. In spite of the slightly less positive business climate ahead, a vast majority (90%) of the respondents are planning to increase or maintain their current activities in Hong Kong. Only 3% of the respondents are planning to leave Hong Kong. Compared to 2016 year's survey, the respondents have a slightly more favourable view on the business climate in Hong Kong for the next three years.

WHAT IS YOUR VIEW ON THE BUSINESS CLIMATE IN HONG KONG FOR THE NEXT THREE YEARS?



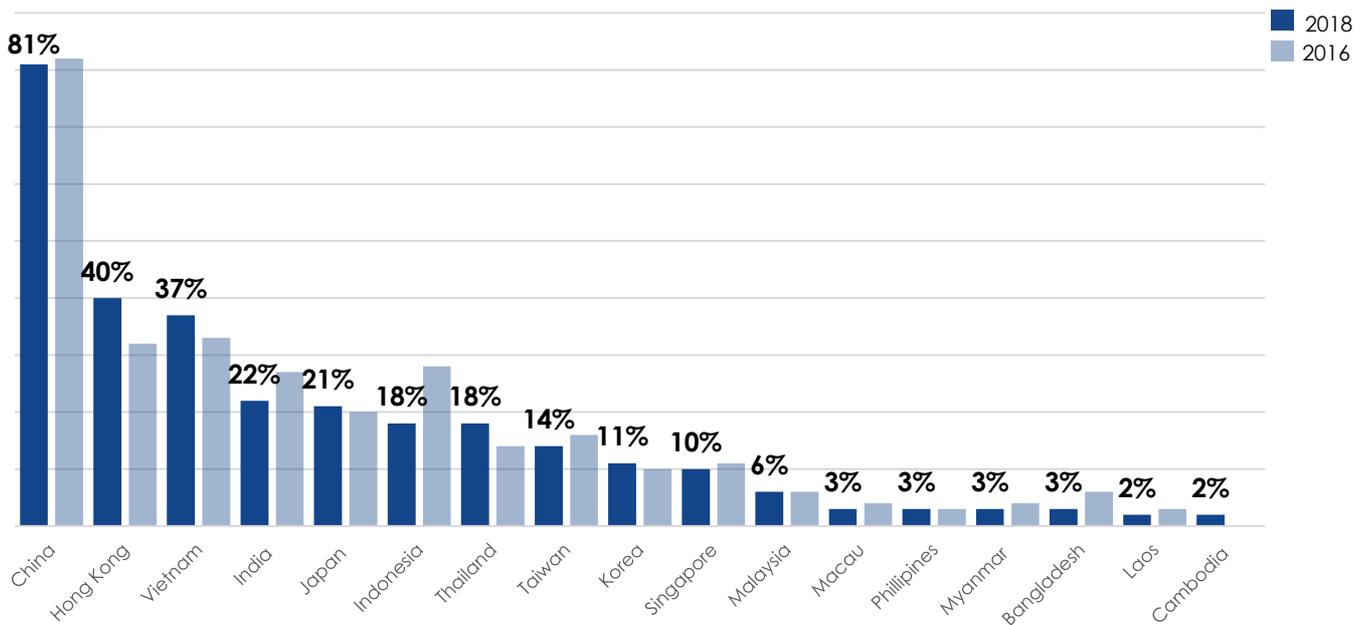
WHAT ARE YOUR COMPANY'S PLANS IN HONG KONG FOR THE NEXT THREE YEARS?



CHINA REMAINS THE MOST INTERESTING MARKET IN THE REGION

China remains the most interesting market in the region, with 81% of the respondents choosing China as one of the three most interesting markets for the next three years. According to the survey, 82% of all companies have a proportion of their activities in China. Southeast Asia continues to be an area of interest for the respondents, with up and coming markets such as Vietnam and Thailand gaining more interest compared to 2016.

WHICH THREE MARKETS IN THE REGION DO YOU CONSIDER MOST INTERESTING FOR THE NEXT THREE YEARS?



SUSTAINABILITY



Sustainability efforts are integrated in the business model in **67%** of the responding companies. The areas in which the companies work most actively are environmental sustainability, supply chain management and various reusing, reducing and recycling efforts within their offices.

EQUALITY



Among the respondents, a majority of the companies have less than 50% of their leading positions held by women. Only **42%** have half or more than half of their leading positions held by women. Leading positions are defined as Board, Management or Director level.

START-UPS



Out of the start-ups who participated in the survey, **43%** considered consumer knowledge as a main barrier when setting up their business in Hong Kong. Access to distribution channels was also raised as a main concern.

SWEDISHNESS



60% of the respondents use their Swedish heritage in their marketing profile. When asked about what Swedish business is known for in Hong Kong, the most common answers were "Quality", "Trust", "Innovation", "Design", and "Sustainability".

